THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO / CONSEIL DES EXPERTS-COMPTABLES DE LA PROVINCE DE L'ONTARIO

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ABOUT THE COUNCIL

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the *Public Accounting Act, 2004*.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services.

Public accounting is the business of expressing independent assurance and certain other services in respect of financial statements and other financial information of enterprises where it can reasonably be expected that the services will be relied upon or used by a third party.

The Council is responsible for:

- developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;
- determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;
- overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and
- maintaining public confidence in public accounting through the appropriate prosecution of offences under the *Public Accounting Act, 2004*.

The Designated Bodies named in the *Public Accounting Act, 2004* are the:

- Certified General Accountants Association of Ontario (CGAO)
- Certified Management Accountants of Ontario (CMAO)
- Chartered Professional Accountants of Ontario (CPA Ontario).[1]

Upon the Council being satisfied that a Designated Body meets the Council's Standards, the Council may provide written authorization to the Designated Body to license and govern its members as public accountants. A Designated Body that has received such authorization is an Authorized Designated Body.

As of December 10, 2013, being the date on which this Annual Report was approved by the Council, all the Designated Bodies have been approved as Authorized Designated Bodies.

[1] Until recently known as the Institute of Chartered Accountants of Ontario (ICAO), and named as such in the *Public Accounting Act, 2004*.

THE COUNCIL STANDARDS

The Council's Standards were approved in their initial form on June 20, 2006, amended and restated as of July 11, 2012, and further amended and restated as of December 24, 2012. They require a Designated Body that seeks to be authorized to license and govern the activities of its members as public accountants to meet certain minimum standards relating to its:

- education, examination and practical experience requirements;
- rules of professional conduct, mandatory practice inspections of public accountants, the use of generally accepted accounting principles and generally accepted auditing and assurance standards, discipline procedures, the issuing of new licences to former licensees, the issuing of licences to persons who are permitted to practise in other jurisdictions, and mandatory professional liability insurance; and
- governance standards respecting the licensing and governing of the activities of its members as public accountants.

The Council has also adopted Council Guidelines. These deal with aspects of the Council's Standards where it is in the public interest that the Authorized Designated Bodies have a consistent approach.

Council Standards and Guidelines are published on the Council's website, at www.pacont.org.

KEY ACTIVITIES OF THE COUNCIL

Key activities of the Council during its 2013 fiscal year (November 1, 2012 - October 31, 2013) and up to the date (December 10, 2013) when the Council approved this Annual Report were:

Oversight of the Assessment of Substantial Equivalence

The Council continued to monitor the progress of the independent evaluators (the Evaluation Team) retained by the Council to assist in the assessment of the substantial equivalence of the public accounting standards of the Designated Bodies to the Council's Standards. In this respect:

CGAO

As noted in previous annual reports of the Council, at its meeting of June 22, 2010 the Council accepted the *Final Report* of its Evaluation Team. And on this same day the CGAO became an Authorized Designated Body under the *Public Accounting Act, 2004*.

In this *Final Report*, the Evaluation Team expressed the opinion that the CGAO public accounting standards had achieved substantial equivalence to the Council Standards in respect of those members of the CGAO who had completed the 51 credit-hour preparation. These CGAO standards could therefore provably develop a public accountant with the competencies comparable to those of a public accountant produced by the benchmark program underlying the Council Standards. At the same time, in view of the fact that the required CGAO public accounting examinations would of necessity be conducted for the first time, it was noted that certain review procedures would need to be implemented once candidates were actively involved in completing the licensure program.

The pace of implementation monitoring for the examinations in question is driven by the numbers of CGAO candidates that present themselves. To date, the candidates forthcoming have been concentrated among those CGAO members who have been able to avail themselves of the provisions in Council Guideline 2010-6, which makes special allowance for a member of a newly authorized designated body who has substantial involvement in public accounting but does not meet all the requirements of Council Standards, particularly in regard to the education component.[2] As of December 10, 2013, there were 48 CGAO candidates who had qualified as LPAs through the above route.

As regards the non-credit-hour program for CGAO candidates, the *Final Report* also indicated that the judgment of substantial equivalence was expected to be extended to the CGAO's own courses when the Advanced External Audit course and examination (AU2) were satisfactorily completed. The Evaluation Team has now concluded that the AU2 course and examination are substantially equivalent to the Council Standards, so that the 51 credit-hour standard can also be met through these CGAO courses.

CMAO

As noted in the Council's previous annual report, at its meeting of January 24, 2012 the Council accepted the *Final Report* of its Evaluation Team. And on that same day the CMAO became an Authorized Designated Body under the *Public Accounting Act, 2004*.

In this *Final Report*, the Evaluation Team expressed the opinion that the CMAO public accounting standards were now substantially equivalent to the Council Standards in respect of those members of the CMAO who had completed the required 51 credit-hour preparation. These CMAO standards could therefore provably develop a public accountant with the competencies that are comparable to a public accountant produced by the benchmark program underlying the Council Standards. At the same time, it was made clear that since the required CMAO public accounting examinations would of necessity be conducted for the first time, certain review procedures in relation to those examinations and the processes leading up to them would need to be assessed at a later stage, once candidates were actively involved in completing the licensure program.

The Evaluators have now satisfied themselves that the first Technical Proficiency Exam (TPE), Integrated Public Accounting Studies course and exam (IPAS), and Licensure Exam (LE) that have been developed are substantially equivalent to the Council Standards. However, future exam development will need to ensure that exam questions meet Council Standards without input from the Evaluation Team. Accordingly, while the current CMAO schedule does not envisage 51 credit-hour public accounting candidates taking the TPE until 2015, the Evaluation Team has been working with CMAO staff in order to make ready the post-approval examination monitoring that will be required.

Monitoring and Oversight of Authorized Designated Bodies

The Council is required under the *Public Accounting Act, 2004* to conduct reviews of the operations of each Authorized Designated Body at least once every three years and to report on them to the Minister. The purpose of such a review is to:

(i) determine whether the Authorized Designated Body continues to meet the Council Standards;

(ii) determine whether the Authorized Designated Body is complying with the Council Standards;

[2] Further detail on this Guideline is available in the Council Report for 2010 – under "Bridging Program for Certain Potential Licensees".

(iii) oversee the Authorized Designated Body in its capacity to license and govern the activities of its members as public accountants; and

(iv) determine whether the purpose and objects of the Council are being met.

The Council has continued to implement the above required reviews.

The report on the second triennial review for CPA Ontario (for the three years ended October 31, 2012) was accepted by the Council in September 2013. That report found that CPA Ontario was in substantial compliance with all the Council's Standards. The first triennial review for the CGAO (for the period from its date of authorization, June 22, 2010 to October 31, 2013) is scheduled to take place in 2014.

Further to this, the Council has determined that there is merit in conducting, on a reduced scale from the triennial review exercise, monitoring and reporting reviews of the standards-related activities of Authorized Designated Bodies for those years when a triennial review is not required. The report on the second annual review of the CGAO, for the year ended October 31, 2012, was accepted by the Council in June, 2013. It found no evidence that the CGAO was not materially in compliance with Council Standards. The first annual review of the CMAO (for the period from its date of authorization, January 24, 2012 to October 31, 2013) is scheduled to take place in 2014.

These annual and triennial reports, once accepted by the Council, are published on its website.

In addition to the above triennial and annual reviews for Authorized Designated Bodies, the Council is authorized to conduct special reviews of a Designated Body if it concludes that it is in the public interest to do so. The report on one such review was accepted by the Council in January 2011.

Amendment to Council Standards for Mobility with Quebec

With the May 2012 passage by the Quebec National Assembly of the *Chartered Professional Accountants Act*, a new provincial accounting body, the Quebec CPA Order (Ordre des Comptables Professionels Agréés du Québec) was established. This body unifies the provincial CA, CGA and CMA Orders under the new CPA Quebec banner.

In order to provide appropriate mobility in regard to public accounting for members of this new body, the definition of *"affiliated provincial accounting body"* in the Council Standards was amended, effective December 24, 2012, to include the Quebec CPA Order.

Updating Council Standards

With all Designated Bodies having been authorized to issue licences as of January 2012, the Council was able to begin turning its attention more fully to another legislatively mandated aspect of Council Standard development – namely, *"raising the standards as required"*. Work on this mandate, which calls for a comprehensive review of Council Standards in the light of domestic and international best practice, and into which the three Ontario bodies contributed professional resources, was begun in 2012 and continued throughout and beyond the 2013 fiscal year. This update exercise, on which the Council received regular reports, was led by the CEO, with outside professional support in addition to the authorized body contributions just noted. And on December 10, 2013, the Council resolved to submit its agreed Standards update to the designated Minister, namely, the Attorney General of Ontario, for his consideration.

The Council in a Post-AIT-Decision, Developing-Unification, Environment

The purpose of the Council as spelled out in its governing legislation is *"to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services"*. It was in this context that last year's report discussed the technical and substantive fall-out for the Council's work and basic purpose resulting from the January 2012 ruling of the *Agreement on Internal Trade* (AIT) Labour Mobility Panel, which disallowed Ontario's exception for public accounting.

In particular, last year's report pointed out that notwithstanding its legislative mandate the Council could no longer provide assurance that all public accounting practitioners entitled to be licensed in Ontario would measure up to these required standards. The number of public accountants in Ontario that, availing themselves of the AIT decision, have qualified outside the Council framework regarding education, examination and practical experience is relatively small to date, but it is increasing – close to 70 as of December 10, 2013, compared with approximately 20 a year earlier. As was also emphasized in that report, while this situation poses questions regarding the Council's role going forward, it also raises a bigger issue – namely, whether it is feasible to maintain a credible regulatory framework for ensuring strong public accounting in the Province.

And in fact the AIT Panel, presumably recognizing the issues arising from its decision, recommended also that efforts be made "to develop a consistent standard for public accountants across the country". Accordingly, the Council has been paying close attention to the effort toward national accounting body unification that has developed under the aegis of the recently formed Chartered Professional Accountants of Canada (CPA Canada).

After an earlier slow start the move toward unification gathered considerable momentum over the past year, and in more recent months has gained the support of all three main national accounting bodies and strongly increasing alignment among their provincial affiliates.[3] Admittedly, this effort has been an apparent consequence of broad competitive pressures on the industry rather than a response to the AIT Panel recommendation regarding public accounting. Indeed, the number of practitioners engaged in "public accounting", in essence the provision of accounting assurance to a third party, is a relatively small share of total membership across the three Canadian national accounting bodies. However, unification of public accounting standards in some form is clearly entailed by the broader national unification initiative.

Accordingly, CPA Canada has begun the process of developing national public accounting standards to be applied by the various provincial CPA bodies being established. Equally, Council representatives have started a dialogue with those involved on the CPA Canada side. This is because under current legislative arrangements, in order to be applicable to public accountants who qualify within this Province any such standards will need to at least match those that have been implemented by the Council.

Finally and on a broader plane, should CPA Canada continue, as seems very likely, to evolve in the direction and at the pace sustained in the past year, this implies major changes for the role played by the Council. Questions as to how far and fast, or even how, the Council might have to change in response are still a matter of conjecture and beyond the scope of this report. Also, since such questions involve provincial government action regarding both the accounting bodies and the Council, they go well beyond what the Council can address by itself. What however is not conjecture is that the Council will in the meantime continue to fulfill the responsibilities laid down by its legislation.

[3] The national bodies joining under the CPA Canada banner are: CGA Canada; the CICA (Canadian Institute of Chartered Accountants); and CMA Canada.

Complaints

Prosecutions

The Council is responsible for maintaining confidence in public accounting through appropriate prosecution of offences under the *Public Accounting Act, 2004*.

In this respect, the Council receives complaints about individuals who may be providing public accounting services without a licence. These complaints are investigated and followed up individually for action. The complaints have evolved over the past few years from those relating primarily to non-licensed individuals advertising their services under captions for public accounting to ones concerning non-licensed individuals issuing audit or review engagement reports in situations where it can be reasonably expected that there will be third party reliance on these reports. Most of these situations are dealt with by having the individual sign a voluntary undertaking to cease the offending activity.

If it is determined that a voluntary undertaking would be insufficient deterrent for the individual to cease the offending activity, the Council may initiate a private prosecution under the *Provincial Offences Act*.

The complaints and prosecution activities for the past three fiscal years are summarized as follows:

	2013	2012	2011
Complaints outstanding at beginning of year	2	4	2
New complaints received during the year	-	1	6
Complaints resolved through voluntary undertakings	-	2	4
Complaints resolved through private prosecution	2	1	-
Complaints under investigation or before the courts	-	2	4

The successful prosecutions were of:

1. An unlicensed individual for practising as a public accountant who had been previously prosecuted for a similar offence. He was fined $75,000 ($25,000 for each count) plus a victim surcharge of $18,750 and given a two-year term of probation; and

2. An unlicensed individual for holding himself out as a public accountant. He was fined $7,500 and given a two-year term of probation.

Information regarding convictions is published on the Council's website under *Statutory Offences*.

Section 22 Reviews

A member of the public who is not satisfied with the manner in which a complaint about the conduct of a Licensed Public Accountant was handled by the licensing Authorized Designated Body, may under *section 22* of the *Public Accounting Act, 2004* request the Council to review the licensing body's handling of the complaint. The member of the public must first have made a complaint to the licensing body and

exhausted the internal procedures of the licensing body for the handling of the complaint, including the licensing body's independent review mechanisms.

The Council's ability to address a request for a review made pursuant to *section 22* is limited to deciding whether to recommend that the licensing body investigate the complaint more fully. The Council's ability to review does not extend to decisions of the licensing body's disciplinary or appeal committees.

During 2013, the Council received three requests for a *section 22* review. In addition, the disposition of one request for a review was carried over from the previous year.

Following the appropriate reviews and discussion, the Council determined not to refer any of these four requests for review back to the licensing body.

GOVERNANCE

Composition of the Council

The Council is comprised of 17 Members:

- Nine Members appointed by the Lieutenant Governor in Council
- Two Members appointed by the Certified General Accountants Association of Ontario
- Two Members appointed by the Certified Management Accountants of Ontario
- Four Members appointed by Chartered Professional Accountants of Ontario.

Each Member of the Council holds office for a term of up to three years from the date of appointment and may be reappointed for up to four additional terms.

The Chair and Vice-Chair of the Council are appointed by the Lieutenant Governor in Council and hold office for two years from the date of appointment or until their successor is appointed. The Chair and Vice-Chair may be reappointed for an additional term. The Vice-Chair may be appointed Chair for up to two terms in addition to any terms the person may have served as Vice-Chair.

Appointment of the Chair and Vice-Chair

John Crow has been the Chair of the Council since December 22, 2009. Mr. Crow's term as Chair will expire on December 21, 2013. On December 21, 2012, Shoba Khetrapal was appointed as Vice-Chair of the Council for a two-year term. As at the date of this Annual Report Mr. Crow's successor has not been appointed. In accordance with the provisions of subsection 26 (2) of the Act, he continues to serve as Chair of the Council until his successor is appointed.

Officers

The Council's Officers are:

Chair: John Crow
Vice-Chair: Shoba Khetrapal
Chief Executive Officer: Keith Bowman
Secretary: John Crow

Performance Reviews

The Council has established a performance review process for the Council. Performance reviews of the Council and its committees and Council Members are conducted every two years. The most recent performance reviews of the Council Members, Council and its committees were completed for the fiscal year ended in 2012. Performance reviews of the Chair and the Chief Executive Officer are conducted annually.

Compensation Framework

The compensation of the Members of the Council, including the Chair and Vice-Chair, is prescribed by the Lieutenant Governor in Council in Regulations made under the *Public Accounting Act, 2004*.

Members of the Council, with the exception of the Chair and the Vice-Chair, are compensated in accordance with the following framework:

- Meeting Attendance Fee: $700 per meeting ($350 for meetings under three hours)
- Preparation Time: $700 per meeting ($350 for meetings under three hours)
- Travel Time: $100 per hour*

* Payable to Members of the Council (other than the Chair) who are required to travel beyond 40 kilometers (one-way) to attend a meeting.

The compensation of the Chair is $166,666 per annum.

The compensation of the Vice-Chair is $1,000 per meeting attended ($500 for meetings under three hours) and $1,000 for preparation time per meeting ($500 for meetings under three hours).

All Council Members, including the Chair and the Vice-Chair, are reimbursed for related travel and out-of-pocket expenses.

Succession Planning

The Council is not empowered under the *Public Accounting Act, 2004* to appoint its directors (who are referred to in the Act as "Council Members") or its Chair or Vice-Chair.

As noted above, the Act provides that of the 17 Council Members prescribed by the Act, two are to be appointed by the CGAO, two are to be appointed by the CMAO, four are to be appointed by CPA Ontario, and nine are to be appointed by the Lieutenant Governor in Council. These entities are collectively referred to as the "appointing bodies".

In an effort to ensure that Council Members are experienced and qualified and to assist all four appointing bodies, the Council, with the input of the three Designated Bodies, has developed a Council Member Profile and a template to be used to assess the competency and diversity of the individual Council Members and of potential appointees to the Council. The information that is gathered is used to prepare a Competency and Diversity Matrix to assess the overall strength of the skills and diversity of the Council Members and to identify any gaps for the purpose of assisting the appointing bodies in their selection of persons to replace retiring Council Members and to fill any vacancies. The Council has requested the Designated Bodies to use these tools in determining whether their respective appointees are experienced and qualified to serve as Council Members. In addition, the Council takes an active role in assessing the qualifications of the nominees for appointment to the Council by the Lieutenant Governor in Council. It uses the network of contacts available to its Members in a systematic way so as to contribute to the pool of potential candidates eligible for appointment by the Lieutenant Governor in Council, and it also works closely with the Public Appointments Secretariat of the Government of Ontario to see to it that such appointments meet the above criteria.

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COUNCIL MEMBERS

Members Appointed by the Lieutenant Governor in Council

Name	Member of Council Since	Term Expires
John Crow Corporate Director Former Governor of the Bank of Canada Chair of the Council and Secretary (Toronto, Ontario)	**November 1, 2005**	**December 21, 2013**
Aldo Di Felice President Telelatino Network Inc. (Toronto, Ontario)	**February 11, 2009**	**February 10, 2014**
Lili-Ann Foster President and CEO of Renaud Foster Management Consultants (Ottawa, Ontario)	**October 25, 2006**	**October 24, 2014**
William Greenhalgh Chief Executive Officer Human Resources Professionals Association (Toronto, Ontario)	**December 4, 2013**	**December 3, 2016**
Laura Hantho Advisor (Toronto, Ontario)	**August 28, 2013**	**August 27, 2015**
Colleen Hanycz Principal of Brescia University College (London, Ontario)	**August 28, 2013**	**August 27, 2015**
Shoba Khetrapal Corporate Director (Toronto, Ontario)	**December 3, 2008**	**December 2, 2016**
Jacqueline Orange Corporate Director (Toronto, Ontario)	**July 8, 2010**	**July 7, 2015**
Ian Shewan Partner, Lerners LLP (London, Ontario)	**July 8, 2010**	**July 7, 2015**

Members Appointed by the Certified General Accountants Association of Ontario

Name	Member of Council Since	Term Expires
Ron Colucci, FCGA Operates an accounting, income tax and busines advisory practice (Mississauga, Ontario)	**November 1, 2005**	**October 31, 2014**
Dawn McGeachy, BAccS, FCUIC, ACUIC, FCGA, LPA Partner, Colby McGeachy Professional Corporation/Porter Hetu Int'l. (Almonte, Ontario)	**October 31, 2012**	**October 31, 2015**

Members Appointed by the Certified Management Accountants of Ontario

Name	Member of Council Since	Term Expires
Jack R. Bowerman, CPA, CA, CMA, LPA Jack R. Bowerman, CA Professional Corporation (Nepean, Ontario)	**November 1, 2012**	**October 31, 2014**
Howard E. Johnson, MBA, FCPA, FCA, FCMA, CBV, CPA, CFA, ASA, CF, C.Dir Managing Director Campbell Valuation Partners Limited (Toronto, Ontario)	**August 24, 2009**	**November 1, 2014**

Members Appointed by Chartered Professional Accountants of Ontario

Name	Member of Council Since	Term Expires
Colleen E. Gibb, FCPA, FCA, LPA President, Gibb Widdis Chartered Accountants Professional Corporation (Ancaster, Ontario)	**November 1, 2005**	**October 31, 2016**
Ralph T. Neville, FCPA, FCA Consultant Formerly Senior Tax Partner with BDO Dunwoody LLP (Oakville, Ontario)	**November 1, 2005**	**October 31, 2016**
Erik Peters, FCPA, FCA Retired Auditor-General of Ontario (Ottawa, Ontario)	**November 1, 2005**	**October 31, 2016**
Michael Walke, CPA, CA Partner, Leader, Accounting Consulting Services, National Accounting and Assurance, PricewaterhouseCoopers LLP (Toronto, Ontario)	**November 1, 2005**	**October 31, 2016**

COUNCIL COMMITTEES

Audit Committee

Members: Jacqueline Orange (Chair)*
Erik Peters
Ian Shewan

*Appointed Chair of the Committee effective December 3, 2013

The Audit Committee's responsibilities include the review of the Council's financial statements, the Council's risk management processes, systems of internal controls and compliance with applicable laws and regulations. The Audit Committee consists of at least three Members. The Chair, Vice-Chair and the Secretary of the Council may not serve as members of the Audit Committee. The Chair of the Audit Committee is appointed by the Council.

Governance Committee

Members: Lili-Ann Foster (Chair)
Ron Colucci
John Crow
Howard Johnson
Shoba Khetrapal
Michael Walke

The Governance Committee's responsibilities include recommendations for committee structure and Council membership and overseeing the process for performance assessment of the Council and its committees, Council Members, the Chair and the Chief Executive Officer.

The Governance Committee consists of at least three Members appointed by the Council. The Council has established a practice of appointing to the Governance Committee a nominee of each of the CGAO, CMAO and CPA Ontario as well as three of the Members appointed by the Lieutenant Governor in Council. The Chair of the Governance Committee is appointed by the Council.

Council and Committee Meetings

The following is the number of Council and Committee meetings held during the 12 months ended October 31, 2013:

Council	4
Audit Committee	2
Governance Committee	5

Attendance at Council and Committee Meetings

The following is a summary of individual Member attendance at Council and Committee Meetings held during the 12 months ended October 31, 2013:

Member	Council Meetings Attended	Committee Meetings Attended
James C. Baillie[1,4]	4 of 4	2 of 2
Jack R. Bowerman	4 of 4	-
Ron Colucci[2]	4 of 4	5 of 5
John Crow[2,3]	4 of 4	2 of 2 and 5 of 5
Aldo Di Felice	4 of 4	-
Lili-Ann Foster[2]	4 of 4	5 of 5
Colleen Gibb	4 of 4	-
Laura Hantho[5]	1 of 1	-
Colleen Hanycz[5]	1 of 1	-
Howard E. Johnson	4 of 4	4 of 5
Shoba Khetrapal[1, 2, 6]	4 of 4	1 of 1 and 4 of 5
Dawn McGeachy	4 of 4	-
Ralph Neville	4 of 4	-
Jacqueline Orange[1]	4 of 4	2 of 2
Erik Peters[1]	4 of 4	2 of 2
Maureen Sabia[2, 7]	1 of 1	0 of 1
Ian Shewan[1,8]	3 of 4	0 of 1
Michael Walke[2]	4 of 4	4 of 5
Larry Wynant[9]	2 of 4	-

1 Member of Audit Committee
2 Member of Governance Committee
3 The Chair of Council attends each Committee meeting
4 Ceased to be a Member of Council on October 20, 2013
5 First appointed on August 29, 2013
6 Appointed as Vice-Chair of Council on December 21, 2012, and on March 26, 2013, appointed to the Governance Committee and on that day ceased to be Member of Audit Committee
7 Ceased to be a Member of Council on December 21, 2012
8 Appointed to the Audit Committee on March 26, 2013
9 Ceased to be a Member of Council on April 17, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The following information provides a summary review of the operations and results of the Council for the year ended October 31, 2013. It is intended to assist readers in understanding the operations of the Council. This should be read along with the accompanying financial statements.

The Council is a corporation without share capital that was continued under the *Public Accounting Act, 2004*. The Act was proclaimed into force on November 1, 2005. As a not-for-profit corporation, the Council is exempt from income taxes.

Operations

The operating costs of the Council are funded by the three Designated Bodies. Designated Body assessment fees are set based on the estimated operating expenses of the Council adjusted for an amount to continue building the net assets to approximately 50% of estimated annual operating expenses. These assessment fees were set at $1,400,000 in 2013 ($1,250,000 in 2012).

In addition to the annual assessment fees, Council Standards assessments costs of $381,106 ($558,548 in 2012) were incurred in the process of determining whether the standards and operating policies of the respective Designated Bodies are substantially equivalent to those of the Council. The decline in these costs from the previous

year resulted from the CMAO being approved as an Authorized Designated Body early in January 2012. These costs also include Authorized Designated Body assessments to determine if the operations of the CGAO and CPA Ontario remained compliant with the Standards of the Council for governance of their respective licensed public accountants. All of these costs are billed to and recoverable from the Designated Bodies.

The other source of revenue is interest income earned from investments, amounting to $24,390 ($22,375 in 2012).

The main expenses relating to the other operations of the Council are salaries and benefits totalling $567,310 ($542,711 in 2012), and Council fees, travel and meetings expenses totalling $138,873 ($89,406 in 2012). The amount of these latter costs is directly related to the number and length of Council and committee meetings held during the year.

Non-recoverable standards costs decreased to $188,118 from $343,545 in 2012. This decline mainly resulted from significant costs incurred in 2012 th... related to the decision of the AIT Labour Mobility Panel that disallowed Ontario's exception for public accounting and caused the Council to revise certain of its Standards. The Council also started the process to update its Standards in 2013, with an expectation to complete this process in 2014.

Legal and investigative costs for hearings and prosecutions decreased to $136,145 from $144,894 in 2012 as a result of slightly lower prosecution activities in 2013. Consulting costs of $45,676 were incurred in the search for a new Chair of the Council. Other costs incurred for rent and general administrative matters were similar to 2012. Total expenses, excluding the recoverable standards assessment expenses, decreased to $1,393,297 in 2013 from $1,423,699 in 2012.

As noted on pages 6 and 7 of this Annual Report, risks to the Council's mandate and operations have arisen as a result of the AIT decision on the Ontario exception for public accounting. While these risks are only beginning to develop and are difficult to quantify, they will need careful monitoring. The office of the Attorney General has been made aware of these risks.

Cash Flow and Liquidity

The Council's cash flow from operating activities increased by $410,383 (decreased by $243,841 in 2012). This increase is comprised mainly of the excess of revenues over expenses for the Council operations, a decrease in accounts payable and an increase in the amounts due to Designated Bodies. As at year-end, the Council had $1,637,933 ($1,239,170 in 2012) in cash and investments. The Council's established policy is to achieve minimum net assets approximating 50% of estimated annual operating expenses. As at October 31 the net assets amounted to $867,795.

During 2013, the Council invested its available funds in interest-bearing debt obligations that meet certain eligibility criteria of, or are guaranteed by, a Province of Canada or a Canadian chartered bank.

Financial Outlook

The Council has approved an operating budget, excluding standards assessments, of $1,430,000 for the 2014 fiscal year, an increase of $30,000 over the operating budget that was set for the 2013 fiscal year. It is expected that the recoverable costs for 2014 will not change substantially. The oversight of the three authorized designated bodies continues and the new public accounting policies for the CPA program will be evaluated to assess their substantial equivalence to the Council Standards. Most expense categories are forecast to be similar to those incurred in 2013. One activity that will attract costs for 2014 is the continuation of the process to finalize the update of the Council Standards and Handbook. The costs for hearings and prosecutions will vary according to the number of reported complaints from the public.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The annual financial statements and all financial and other information contained in this Annual Report are the responsibility of the management of The Public Accountants Council for the Province of Ontario. Management has prepared the financial statements in accordance with Canadian Accounting Standards for not-for-profit organizations, applying best estimates and judgments based on currently available information. The significant accounting policies are described in note 2 to the financial statements.

Financial information contained in this Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity and reliability of financial information, and has established systems of internal procedural and accounting controls designed to achieve this. In addition, these systems also reasonably ensure that assets are safeguarded from loss or unauthorized use.

The Members of the Council are responsible for ensuring that management fulfills its responsibilities including those for financial reporting and internal control. The Council has created an Audit Committee to help it with these responsibilities. The Audit Committee met with the auditors, both with and without management present, to review the activities of each, as well as to review the financial statements. Tinkham & Associates LLP have been appointed by the Council as auditors to express their opinion on the fair presentation of the financial statements.

They have had full and unrestricted access to the Audit Committee and management to discuss matters pertaining to their audit.

The Audit Committee reviews the auditor's performance annually and makes a recommendation to the Members of the Council with respect to their reappointment for the coming year.

Signed: "Keith Bowman"
Keith Bowman
Chief Executive Officer

Signed: "John Crow"
John Crow
Chair

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Financial statements of

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO

October 31, 2013

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Public Accountants Council for the Province of Ontario

We have audited the accompanying financial statements of The Public Accountants Council for the Province of Ontario, which comprise the balance sheet as at October 31, 2013 and the statement of operations and changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Public Accountants Council for the Province of Ontario as at October 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Tinkham & Associates LLP
CHARTERED ACCOUNTANTS

TORONTO, Ontario
December 10, 2013

Licensed Public Accountants

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Balance Sheet

As at October 31	2013	2012
Assets		
Current assets		
Cash	$ 758,108	$ 383,868
Prepaid expenses	8,089	7,424
	766,197	391,292
Investments (note 3)	879,825	855,302
Capital assets (note 4)	22,597	24,136
	$ 1,668,619	$ 1,270,730
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	$ 118,902	$ 173,001
Due to Designated Bodies	681,922	261,027
	800,824	434,028
Net Assets		
Net assets	867,795	836,702
	$ 1,668,619	$ 1,270,730

Commitment (note 6)

On behalf of the Council:

Signed "John Crow"

John Crow

Signed "Jacqueline Orange"

Jacqueline Orange

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Operations and Changes in Net Assets

Year ended October 31	2013	2012
Revenues		
Designated Bodies assessment fees	$ 1,400,000	$ 1,250,000
Recovery of Standards assessment expenses	381,106	558,548
Investment income	24,390	22,375
	1,805,496	1,830,923
Expenses		
Standards assessments	381,106	558,548
Salaries and benefits	567,310	542,711
Standards	188,118	343,545
Legal and other costs of hearings and prosecutions	136,145	144,894
Rent	143,852	140,882
Council fees, travel and meetings	138,873	89,406
Legal advisory	97,818	74,609
Office	38,670	38,872
Amortization	13,159	15,948
Insurance	12,659	12,727
Audit	11,017	10,500
Consultants	45,676	9,605
	1,774,403	1,982,247
Excess of revenues over expenses (expenses over revenues) for the year	31,093	(151,324)
Net assets, beginning of year	836,702	988,026
Net assets, end of year	$ 867,795	$ 836,702

See accompanying notes to financial statements.

THE PUBLIC ACCOUNTANTS COUNCIL FOR THE PROVINCE OF ONTARIO
Statement of Cash Flows

Year ended October 31	2013	2012
Cash provided by (used for):		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year	$ 31,093	$ (151,324)
Adjustments for items which do not affect cash		
Amortization	13,159	15,948
	44,252	(135,376)
Changes in non-cash working capital balances		
Due to Designated Bodies	420,895	(39,127)
Net decrease in prepaid expenses	(665)	-
Net decrease in accounts payable	(54,099)	(69,338)
	366,131	(108,465)
Net cash provided (used) for operating activities	410,383	(243,841)
Investing activities		
Net decrease (increase) in investments	(24,523)	(72,628)
Purchases of capital assets	(11,620)	-
	(36,143)	(72,628)
Increase (decrease) in cash	374,240	(316,469)
Cash, beginning of year	383,868	700,337
Cash, end of year	$ 758,108	$ 383,868

See accompanying notes to financial statements.

1 Purpose of the organization

The Public Accountants Council for the Province of Ontario (the Council) is a corporation without share capital that was continued under the Public Accounting Act, 2004 (the Act). The Act was proclaimed into force on November 1, 2005. The Council is exempt from income taxes.

The purpose of the Council is to ensure that public accounting in Ontario is practised in accordance with internationally respected public accounting standards that reflect the public interest in the delivery of superior quality public accounting services. The Council is responsible for:

Developing and maintaining the standards that a Designated Body must meet in order to be authorized to license and govern the activities of its members as public accountants;

Determining which Designated Body meets the standards, when it meets them and whether it continues to meet the standards after it is authorized to license and govern the activities of its members as public accountants;

Overseeing the Designated Bodies in their capacity to license and to govern the activities of their members as public accountants; and

Maintaining public confidence in public accounting through the appropriate prosecution of offences under the Public Accounting Act, 2004.

The Designated Bodies are the Certified General Accountants of Ontario, the Certified Management Accountants of Ontario, and the Chartered Professional Accountants of Ontario. The Council's operations are funded by the Designated Bodies.

2 Significant Accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Capital assets

Capital assets are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the straight-line basis as follows:

Furniture, equipment and systems	- 10% and 25% annually
Leasehold improvements	- over the term of the initial lease

(b) Investments

Management has elected to value all investments at fair value, which is based on quoted market values.

(c) Revenue recognition

In accordance with section 33 of the Act, the Council prescribes the fees that are to be paid by the Designated Bodies to fund the operations of the Council. These fees are based on the Council's annual operating expenditures. The prescribed fees are recognized as revenue in the fiscal year to which the expenses relate.

The Council has retained independent consultants to assist it in determining whether the respective standards of the Designated Bodies are substantially equivalent to the Council's standards. The related recoveries of costs incurred are recognized as revenue when approved as recoverable.

2 Accounting policies continued

(d) Financial instruments

The Council initially measures its financial assets and liabilities at fair value. Council subsequently measures all its financial assets and financial liabilities at amortized cost, except for its investments in government bonds that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Designated Bodies.

Council recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3 Investments

		2013		2012
Ontario savings bond, interest at 0.75% initially and increasing to 4.50% due June 21, 2014	$	**508,137**	$	506,319
Ontario savings bond, interest at 1.25% initially and increasing to 3.75% due June 21, 2016		**227,752**		229,033
Ontario savings bond, variable interest rate, currently at 1.30% (2012 - 1.25%) due June 21, 2016		**52,144**		52,135
Ontario savings bond, interest at 1.25% initially and increasing to 2.25% due June 21, 2017		**68,797**		67,815
Cash equivalents		**22,995**		-
	$	**879,825**	$	855,302

The Ontario Savings Bonds can be sold at market value at any time. Council invests in interest-bearing debt obligations of or guaranteed by the Government of Canada, and of or guaranteed by a Province of Canada or by a Canadian chartered bank that meet certain specified eligibility criteria. All investments are readily convertible into known amounts of cash. Council does not purchase investments for speculative purposes.

4 Capital assets

	2013 Cost	2013 Accumulated Amortization	2012 Cost	2012 Accumulated Amortization
Furniture, equipment and systems	$ 147,563	$ 124,966	$ 178,534	$ 154,398
Leasehold improvements	117,172	117,172	117,172	117,172
	$ 264,735	$ 242,138	$ 295,706	$ 271,570
Net book value		$ 22,597		$ 24,136

5 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is Employer Health Tax payable of $932 (2012 - $9,552) and payroll withholding taxes payable of $14,608 (2012 - $13,758).

6 Lease commitment

Council has entered into a lease agreement for office space that extends until December 31, 2016. The minimum lease commitment plus the proportionate share of realty taxes and operating expenses for 2014 is estimated to be $148,000.

Minimum annual lease payments, excluding the Council's share of realty taxes and operating expenses required in each of the next four fiscal years are as follows:

2014	$ 50,869
2015	50,869
2016	54,130
2017	9,130

7 Financial instruments

The Public Accountants Council for the Province of Ontario is exposed to various risks through its financial instruments. The following analysis provides a measure of the Council's risk exposure and concentrations. The financial instruments and the nature of the risks to which they may be subject are as follows:

	Risks				
			Market risk		
Financial instrument	Credit	Liquidity	Currency	Interest rate	Other price
Cash	X			X	
Investments	X			X	
Accounts payable and accrued liabilities		X			
Due to Designated Bodies		X			

7 **Financial instruments continued**

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Council is exposed to credit risk through its cash and investments. The Council manages its credit risk by restricting its investments to the financial obligations of governments and major financial institutions.

Liquidity risk

Liquidity risk is the risk that Council will not be able to meet a demand for cash or fund its obligations as they come due. The Council meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

The Council does not have any transactions in foreign currencies and is therefore not subject to currency risk.

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Council to interest rate risk arises from its interest bearing investments and cash. Fluctuations in market rates of interest on cash do not have a significant impact on the Council's operations. The Council manages the interest rate risk exposure of its fixed income investments by using a laddered portfolio with varying terms to maturity. The laddered structure of maturities helps to enhance the average portfolio yield while reducing the sensitivity of the portfolio to the impact of interest rate fluctuations. The primary objective of the Council with respect to its fixed income investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return giving consideration to risk.

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market. The Council is not exposed to significant other price risk.

Changes in risk

There have been no changes in risk exposures from the prior year.

CONTACT INFORMATION

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